

## Message Text

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ACTION EUR-12

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R 012100Z AUG 78  
FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 875  
INFO AMEMBASSY OTTAWA  
AMCONSUL QUEBEC  
AMCONSUL TORONTO

UNCLAS MONTREAL 1525

E.O. 11652: N/A  
TAGS: ECON, EINV, CA  
SUBJECT: WESTWARD TREK CONTINUES

REF: MONTREAL 423

1. WITHIN THE PAST FIVE DAYS TWO MORE WELL KNOWN QUEBEC FIRMS  
HAVE ANNOUNCED RELOCATION OF THEIR HEADQUARTERS TO TORONTO.

2. THE FIRST, ELECTROLUX CANADA LTD., A SUBSIDIARY OF THE  
U.S.-OWNED CONSOLIDATED FOODS CORP. OF CANADA LTD., ALREADY  
COMPLETED THE MOVE OF ITS ADMINISTRATIVE, ACCOUNTING, PUBLIC  
RELATIONS AND DATA DIVISIONS TO TORONTO ON JUNE 30, REDUCING  
ITS MONTREAL STAFF FROM 165 TO ABOUT 70. COMPANY OFFICIALS  
REFUSED ALL COMMENT ON THE MOVE OR THE REASONS FOR THE MONTH-  
LONG DELAY IN ANNOUNCING IT THOUGH IT WAS REVEALED THAT THE  
FIRM'S PRESIDENT, LIONEL BELAND, HAD RESIGNED FOR UNDISCLOSED  
REASONS. THE FIRM, A MANUFACTURER OF HOUSEHOLD VACUUM CLEANERS,  
EMPLOYS 1,400 THROUGHOUT CANADA. ONE OF ITS TWO PRODUCTION  
FACILITIES IS LOCATED IN QUEBEC.

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3. THE OTHER EMIGRANT IS MACDONALD TOBACCO INC., A SUBSIDIARY  
OF R.J. REYNOLDS INDUSTRIES OF WINSTON-SALEM, N.C., WHICH  
ANNOUNCED THE MOVE OF 200 SENIOR OFFICIALS OVER THE NEXT  
18 MONTHS. ALL ADMINISTRATIVE OFFICES, INCLUDING ALL DATA  
PROCESSING AND FINANCIAL POSITIONS, AND THE MARKETING DEPART-  
MENT WILL BE RELOCATED. CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
R.C. SHROPSHIRE CITED THE DIFFICULTY IN ATTRACTING AND HOLDING

MANAGEMENT STAFF IN MONGREAL IN WHAT HE CALLED A HIGHLY COMPETITIVE MARKET FOR CONSUMER PACKAGED GOODS. HE SHIED AWAY FROM ANY DISCUSSION OF QUEBEC POLITICS OR BILL 101, BUT DID MAKE THE NOW ALMOST RITUALISTIC STATEMENT THAT, ZTHIS IS NOT A POLITICAL DECISION, IT'S A BUSINESS DECISION." MACDONALD'S TOTAL EMPLOYMENT IS 1,800 WITH ALL BUT 400 OF THESE POSITIONS LOCATED IN QUEBEC. APPROXIMATELY 51 PERCENT OF ITS CUSTOMERS ARE IN ONTARIO VERSUS 30 PERCENT IN QUEBEC.

4. SOME SENSE OF HOW QUICKLY THE ECONOMIC WINDS HAVE SHIFTED CAN BE GLEANED FROM THE FACT THAT JUST THREE YEARS AGO, IN 1975, MACDONALD CLOSED ITS LOSING TORONTO PLANT TO CONCENTRATE PRODUCTION IN ITS MAIN PLANT IN MONTREAL. AT ABOUT THE SAME TIME THE FIRM SIGNED A 20-YEAR LEASE FOR OFFICE SPACE AT THE NEW LA MAISON MACDONALD HOUSE IN DOWNTOWN MONTREAL. THE COMPANY WAS NOTED AS THE LAST CANADIAN-OWNED TOBACCO COMPANY UNTIL ITS SALE IN 1974 FOR DOLS 75 MILLION.

5. IN A RELATED STORY IT WAS REVEALED THAT READERS DIGEST ASSOCIATION (CANADA) LTD. OF MONTREAL HAS COMMISSIONED PEAT MARWICK AND ASSOCIATES TO STUDY SEVEN POSSIBLE RELOCATION SITES, THREE OF THEM IN ONTARIO. THE COMPANY AT PRESEN IS OPERATING OUT OF FOUR SEPARATE MONTREAL LOCATIONS AND IS EXPERIENCING EVER INCREASING LOGISTICAL AND PRODUCTION PROBLEMS. A QUESTIONNAIRE HAS BEEN CIRCULATED TO THE COMPANY'S 700 EMPLOYEES (ABOUT 200 OF THEM FRANCOPHONES) ASKING,

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AMONG OTHER THINGS, HOW FAR THEY TRAVEL TO WORK. THE DIGEST'S BOARD OF DIRECTORS IS EXPECTED TO DECIDE ON A NEW LOCATION IN MARCH 1979.

6. COMMENT: OBVIOUSLY THESE MOVES WERE PLANNED WELL IN ADVANCE OF THE JULY 19 PUBLICATION OF THE PROPOSED LANGUAGE RULES FOR HEAD OFFICES IN QUEBEC (SEE MONTREAL 1442). ONE CANNOT REALLY SAY THEY ARE A DIRECT REACTION -- THOUGH EQUALLY OBVIOUS IN MACDONALD'S CASE, NEITHER DID THE PUBLICATION OF THE RULES DETER THEM FROM THEIR DECISION. THERE APPEARS TO BE A GROWING URGE TO MOVE TO WHERE THE ACTION IS FOR THOSE COMPANIES WITH INTERESTS OUTSIDE OF QUEBEC. GIVEN THE PROVINCES'S BLEAK ECONOMIC OUTLOOK, ANY MOVES BY THE GOVERNMENT TO FURTHER INTERFERE IN THE DAY-TO-DAY OPERATIONS OF BUSINESS CAN ONLY ADD IMPETUS TO THE MOVEMENT.

HARPER

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## Message Attributes

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